

Senate Bill 191

February, 2007

• Changes to Michigan's Peer Review Requirement for Re-Licensure

Michigan Association of CPAs (MACPA), with the support of the Michigan State Board of Accountancy (MSBA), and the Department of Labor & Economic Growth (DLEG) seeks to amend Article 7, section 729 of the Occupational Code, enabling a "phase-in" of firms newly-required to participate in a peer review over 3 years. In order to prevent the State of Michigan and the administering entities from an overwhelming influx of new reviews all at once, the MACPA and the MSBA feels that a gradual phase-in is necessary.

The State of Idaho was successful through phasing-in based on the firm's highest level of engagement. This structure will phase-in the newly participating entities at roughly one-third per year:

-Year One: Enroll firms that perform audits as their highest level of engagement. This is the most thorough type of engagement with the highest risk potential.

-Year Two: Enroll firms that perform reviews and/or compilations with disclosures.

-Year Three: Enroll firms that perform compilations without disclosures.

• Changes to Michigan's Experience Requirement for Receipt of CPA Certification

This bill does not change the experience requirement for obtaining a CPA certificate in Michigan.

When the education requirement for certification was changed from 120 hours to 150 hours in 1998, the experience requirement was changed from two years to one. The effective date of July 1, 2003 required statutory language distinguishing those seeking certification prior to July 1, 2003 from those seeking certification after:

MCL 339.725 (4) *Pre-2005 amendments:* Subject to subsections (5) and (6) and until July 1, 2003, an applicant for a certificate as a certified public accountant shall have 2 years of qualifying experience and, after July 1, 2003, an applicant for a certificate as a certified public accountant shall have 1 year of qualifying experience under the direction and supervision of a licensed certified public accountant of this or another state in either of the following:

During the pursuit of other, unrelated reform in 2005, certain now-unnecessary language was deleted, including the distinction between pre and post-July 1, 2003 certification requirements. Due to a drafting error at that time, not enough language was removed leaving Section 725 confusing and illogical:

MCL 339.725 (4) *Post-2005 amendments:* An applicant for a certificate as a certified public accountant shall have 2 years of qualifying experience, and an applicant for a certificate as a certified public accountant shall have 1 year of qualifying experience under the direction and supervision of a licensed certified public accountant of this or another state in either of the following:

This bill, very simply, seeks to amend the current language to restore the clear understanding of Michigan experience requirement for CPA certification.